

EXECUTION COPY

INTEGRATED PRESCRIPTION DRUG PROGRAM AGREEMENT

THIS AGREEMENT is entered into as of the 1st day of July, 2006 (the "Effective Date") between Medco Health Solutions, Inc. ("Medco"), located at 100 Parsons Pond Drive, Franklin Lakes, New Jersey 07417, through Systemed, a Medco business, and the State of Connecticut acting herein by the Connecticut State Teachers' Retirement Board created by Chapter 167a of the General Statutes of Connecticut (the "BOARD"), located at 21 Grand Street, Hartford, Connecticut 06106.

WHEREAS, the BOARD provides for the payment of prescription drugs and related services for persons eligible to receive such benefits through affiliation with a group that has a contract or other arrangement in effect with the BOARD; and

WHEREAS, Medco, provides prescription drug benefits programs and, in connection therewith, has established networks of participating retail pharmacies and operates a system for the processing, fulfillment and payment of claims for prescription drugs furnished by such pharmacies; and

WHEREAS, Medco's Medco By Mail mail order pharmacy affiliates are licensed pharmacies which provide prescription drugs via a mail order service; and

WHEREAS, the BOARD desires to retain the services of Medco and its subsidiaries, including Medco Health, L.L.C., which holds TPA licenses in certain states, as applicable, to provide a prescription drug benefit program (the "Program") including, but not limited to, retail pharmacy and mail order pharmacy and specialty drug pharmacy services for eligible persons, point-of-care, physician office communications and cost containment initiatives developed and implemented by Medco, which may include communications with prescribers, patients and/or participating pharmacies, and financial incentives to participating pharmacies for their participation in such initiatives (collectively, "PBM Services").

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. DEFINITIONS

- 1.1. "AWP" means the average wholesale price of the Covered Drug, as set forth in the current price list in recognized sources such as First DataBank's National Drug Data File if available, or other nationally recognized source determined by Medco. Under the Retail Pharmacy Program, AWP is based on the package size submitted, and for Compound Prescriptions is 1.25 times the AWP of the submitted Covered Drug. Under the Mail Order Pharmacy Program, AWP is based on package sizes of 100 units for capsules and tablets, 16 oz. quantities for liquids, and the manufacturer's smallest available package size for injectable Covered Drugs (or the next closest package size if such quantities or sizes are not available), and all other Covered Drugs will be priced as individual units or smallest package size available (e.g., per vial, per suppository, etc.). If First DataBank or other applicable source changes the methodology for calculating AWP or pricing for Covered Drugs in a way that materially changes the economics of the Program, the parties agree to modify the Program Pricing Terms to preserve the parties' relative economics before such changed methodology.

- 1.2. "Brand Name Drugs" means all single-sourced drugs and multisource brand drugs as set forth in First Databank's National Drug Data File (or such other nationally recognized source, as reasonably determined by Medco).
- 1.3. "Business Days" or "business days" means all days except Saturdays, Sundays, and holidays. All references to "day(s)" are to calendar days unless "business day" is specified.
- 1.4. "Compound Prescription" means a prescription that meets the following criteria: two or more solid, semi-solid or liquid ingredients, at least one of which is a Covered Drug, that are weighed or measured then prepared according to the prescriber's order and the pharmacist's art.
- 1.5. "Contract Quarter" means the period commencing March 11, 2006 and ending June 30, 2006 and thereafter, each full consecutive three (3) month period thereafter that this Agreement remains in effect.
- 1.6. "Contract Year" means the period from July 1, 2006, to December 31, 2007 and thereafter the next full consecutive twelve (12) month period.
- 1.7. "Copayment" and/or "Coinsurance" means the amount to be paid by an Eligible Person for each prescription or authorized refill as determined in accordance with the Plan Design(s).
- 1.8. "Covered Drugs" means drugs which, under state or federal law, require a prescription, including Compound prescriptions. Excluded from Covered Drugs are (i) cosmetic drugs, (ii) appliances, devices, bandages, heat lamps, braces, splints, and artificial appliances, (iii) health and beauty aids, cosmetics and dietary supplements and (iv) OTC products ("Exclusions"). Additional Covered Drugs and/or Exclusions applicable to any individual Group will be designated by the BOARD in the applicable Plan Design.
- 1.9. "Dispensing Fee" means the amount payable by the BOARD pursuant to Sections 1, 2, or 3 of Schedule A of this Agreement for a Participating Pharmacy or Medco to dispense a prescription or authorized refill to an Eligible Person.
- 1.10. "Eligible Person" means each person who, through affiliation with a Group, is eligible for prescription drug benefits pursuant to this Agreement, and such person's qualified dependents.
- 1.11. "Generic Drug" means a multisource generic drug set forth in First Databank's National Drug Data File, or such other nationally recognized source, as reasonably determined by Medco that is available in sufficient supply from multiple manufacturers.
- 1.12. "Group" means a group of Eligible Persons that have the same Plan Design as designated by the BOARD.
- 1.13. "Integrated Program" means a program in which Eligible Persons enrolled in such program may have prescriptions dispensed either (i) by a Participating Pharmacy under the Retail Pharmacy Program or (ii) by Medco under the Mail Order Pharmacy Program. Reference to the Retail Pharmacy Program and/or Mail Order Pharmacy Program herein will include services performed by Medco for Eligible Persons enrolled in the Integrated Program.
- 1.14. "MAC" or the "Maximum Allowable Cost" consists of a list of off-patent drugs subject to maximum allowable cost payment schedules developed or selected by Medco. The payment schedules specify the maximum unit ingredient cost payable by the BOARD for drugs on the MAC list. The MAC list and payment schedules are frequently updated.
- 1.15. "Mail Order Pharmacy Program" means the program described in Section 4 in which Eligible Persons may submit a prescription along with the applicable Copayment/Coinsurance to Medco for dispensing via mail order.

- 1.16. "Minimum Enrollment" means an enrollment of not less than 11,800 Primary Eligible Participants under the Program.
- 1.17. "Participating Pharmacy" means a retail pharmacy that has entered into an arrangement with Medco that specifies the terms and conditions of the pharmacy's participation, including the rates that Medco will pay the pharmacy to participate in Medco's Broad National Network servicing the BOARD's Program including the rates that Medco will pay the pharmacy.
- 1.18. "Plan Design" means Program drug coverage, days supply limitation, Copayment/Coinsurance, Formulary (including Formulary drug selection and relative cost indication) and other Program specifications applicable to the Program designated by the BOARD as set forth in this Agreement or otherwise documented between the parties.
- 1.19. "Primary Eligible Participant" means each Eligible Person, excluding Eligible Persons who are qualified dependents.
- 1.20. "Program Pricing Terms" means the (i) financial or pricing terms, allowances and guarantees set forth in this Agreement, (ii) performance standards and penalties set forth in Section 5 of this Agreement, and (iii) Formulary management fee and the Guaranteed Rebates set forth in Section 6 of this Agreement.
- 1.21. "Retail Pharmacy Program" means the program described in Section 3 in which Eligible Persons may purchase Covered Drugs from a Participating Pharmacy upon verification of Program eligibility and payment of the applicable Copayment/Coinsurance, and the claim is submitted by the Participating Pharmacy to Medco for payment in accordance with this Agreement and the applicable Medco Participating Pharmacy agreement.
- 1.22. "Specialty Drugs" means pharmaceutical products that are generally biotechnological in nature, with many requiring injection or other non-oral methods of administration, and that have special shipping or handling requirements. Some of the disease categories currently in Medco's specialty pharmacy programs include cancer, multiple sclerosis, Hepatitis C, rheumatoid arthritis, cystic fibrosis, infertility, RSV prophylaxis, Gaucher disease, growth hormone deficiency, hemophilia and immune deficiency.
- 1.23. "TelePAID® System" or "TelePAID®" means Medco's real time, on-line system for adjudicating prescription drug claims submitted by retail pharmacies.

2. THE BOARD FURNISHED INFORMATION

The BOARD will promptly furnish, in a format acceptable to Medco, all information necessary for Medco to render the services set forth herein. Such information will include, but is not limited to:

- 2.1. A file of Eligible Persons, and subsequent timely additions and deletions to such file as changes occur. The BOARD will pay for any Covered Drug dispensed to a person reported by the BOARD as no longer an Eligible Person, if such notification is not received by Medco at least two (2) full business days prior to the dispensing date of such prescription.
- 2.2. Designation, in writing, of those Plan Design features to be determined by the BOARD.
- 2.3. The reimbursement terms applicable to direct reimbursement claims submitted by Eligible Persons under the Retail Pharmacy Program.
- 2.4. The type, number, and description of Medco identification cards ("Identification Cards") required under the Retail Pharmacy Program.

3. RETAIL PHARMACY PROGRAM

The specific features of the Retail Pharmacy Program are as follows:

- 3.1. Program Coverage - The Program coverage (Covered Drugs/Exclusions) and days supply limitation covered under the Retail Pharmacy Program will be as designated by the BOARD. Up to a thirty-four (34) day supply of Covered Drugs per prescription or refill may be dispensed under the Retail Pharmacy Program.
- 3.2. Participating Pharmacy Networks - Medco will maintain a Participating Pharmacy Network reasonably necessary to provide services under the Retail Pharmacy Program. Medco will have the responsibility to contract with Participating Pharmacies. Medco will be responsible for any amounts that it owes to Participating Pharmacies that exceeds the reimbursement it receives from the BOARD as specified in Section 2 of Schedule A. Medco will retain any reimbursement that it receives from the BOARD as specified in Section 2 of Schedule A that is in excess of the amounts it is obligated to pay to Participating Pharmacies.
- 3.3. Identification Cards - Medco will (i) produce Identification Cards for those Eligible Persons designated by the BOARD, with an accompanying explanatory brochure, and (ii) make direct reimbursement claim forms available through the www.medco.com internet site for use by Eligible Persons who have not received their Identification Cards, or have had them lost or stolen. Medco will distribute Identification Cards and claim forms to the designated Eligible Persons unless otherwise designated by the BOARD. All costs associated with distributing and/or mailing such materials are the responsibility of the BOARD.
- 3.4. Claim Adjudication - Medco will adjudicate claims for prescription drug benefits in accordance with Medco's TelePAID System and the applicable Plan Design. Disapproved claims will be transmitted via TelePAID to the submitting pharmacy with a brief explanation of the cause or causes for disapproval. Should the BOARD determine that a previously disapproved claim should be approved, and so direct Medco, adjudication of the claim will be accomplished promptly by Medco. Medco is obligated to pay Participating Pharmacies for all claims adjudicated through the TelePAID System. The BOARD will pay Medco for these claims pursuant to Schedule A, Section 2. Medco will promptly refer to the BOARD all non-routine inquiries by insurance departments, attorneys, claimants, or other persons following the denial of any claims.
- 3.5. Administrative Services - Medco will provide, as applicable, the Base Administrative Services and the Additional Administrative Services set forth in Schedule A.
- 3.6. Pricing - The Program Pricing Terms applicable to the Retail Pharmacy Program are set forth in Schedule A, in addition to the performance standards and penalties set forth in Section 5, and the Formulary Program as set forth in Section 6.

4. MAIL ORDER PHARMACY PROGRAM

- 4.1. Program Coverage
 - 4.1.1. The Program coverage (Covered Drugs/Exclusions) and days supply limitation under the Mail Order Pharmacy Program will be as designated by the BOARD in the applicable Plan Design.
 - 4.1.2. Medco's mail order pharmacies will not be required to dispense prescriptions for greater than a ninety (90) day supply of Covered Drugs per prescription or refill, subject to the professional judgment of the dispensing pharmacist, limitations imposed on controlled substances and manufacturer's recommendations. Prescriptions may be refilled providing the prescription so states. Prescriptions will not be filled (i) more than twelve (12)

months after issuance, (ii) more than six (6) months after issuance for controlled drug substances, or (iii) if prohibited by applicable law or regulation.

4.2. Dispensing Procedures

4.2.1. Medco's mail order pharmacies will dispense Covered Drugs to Eligible Persons, and dispense generic drugs when authorized, in accordance with (i) applicable law and regulations in the state in which Medco's mail order pharmacy is located, and (ii) the terms of this Agreement and Plan Design(s). Any prescriptions that are not dispensed will be returned to the applicable Eligible Person with an explanation as to why it could not be dispensed in accordance with Medco's standard operating procedures.

4.2.2. All matters pertaining to the dispensing of Covered Drugs or the practice of pharmacy in general are subject to the professional judgment of the dispensing pharmacist.

4.2.3. Any drug which cannot be dispensed in accordance with Medco's mail order pharmacy dispensing protocols, or which requires special record-keeping procedures, may be excluded from coverage by Medco.

4.3. Claim Adjudication - Medco will adjudicate and pay approved claims for prescription drug benefits in accordance with Medco's TelePAID System and the applicable Plan Design. Should the BOARD determine that a previously disapproved claim should be approved, and so direct Medco, adjudication of the claim will be accomplished promptly by Medco. The BOARD will pay Medco for claims adjudicated through the TelePAID System, pursuant to Schedule A, Section 2. Medco will promptly refer to the BOARD all non-routine inquiries by insurance departments, attorneys, claimants, or other persons following the denial of any claims.

4.4. Pricing - The Program Pricing Terms applicable to the Mail Order Pharmacy Program are set forth in Schedule A, in addition to the performance standards and penalties set forth in Section 5 and the Formulary Program set forth in Section 6. Medco will have the responsibility to contract with drug wholesalers and manufacturers regarding Medco's purchase of drugs that are dispensed by it under the Mail Order Pharmacy Program. Medco will be responsible for any amounts that it owes drug wholesalers or manufacturers that exceeds the amounts it charges and receives from the BOARD or Eligible Persons, as specified in Section 2 of Schedule A. Medco will retain any payment that it receives from the BOARD or Eligible Persons as specified in Section 2 of Schedule A that is in excess of the amounts it is obligated to pay to drug wholesalers or manufacturers for the purchase of such drugs that are dispensed under the Mail Order Pharmacy Program.

5. PERFORMANCE STANDARDS AND PENALTIES

5.1. The following performance standards will apply during the Initial Term of this Agreement:

5.1.1. The TelePAID System Availability Rate for each Contract Year will be 99.5% or greater. the BOARD may assess a penalty against Medco in the amount of \$20,000 for each Contract Year that the TelePAID System Availability Rate averages less than 99.5% for a Contract Year. "TelePAID System Availability Rate" means the percentage of normal operating hours that the TelePAID System is operational, excluding scheduled maintenance time, measured on an annual basis.

5.1.2. The Dispensing Accuracy Rate for each Contract Year will be 99.99% or greater. the BOARD may assess a penalty against Medco in the amount of \$20,000 for each Contract Year that the Dispensing Accuracy Rate averages less than 99.99% for a Contract Year. "Dispensing Accuracy Rate" means (i) the number of all mail order pharmacy prescriptions dispensed by Medco in a Contract Year less the number of those prescriptions dispensed by Medco in such Contract Year which are reported to Medco

and verified by Medco as having been dispensed with the incorrect drug or strength, divided by (ii) the number of all mail order pharmacy prescriptions dispensed by Medco in such Contract Year.

- 5.1.3. All Mail Order Pharmacy Program prescriptions received each Contract Year will either be dispensed, or returned to the applicable Eligible Person with an explanation as to why it could not be dispensed, within an average of two (2) business days following receipt by Medco. The BOARD may assess a penalty against Medco in the amount of \$_____ for each Contract Year that Medco fails to meet either one of these dispensing time period standards. This Section 5.1.3 is subject to a maximum penalty of \$_____ per Contract Year.
- 5.1.4. Medco will prepare and provide to the BOARD Medco's standard management/utilization reports. Prescription Drug Plan Report Package will be made available to the BOARD within forty-five (45) business days of the end of the billing cycle that includes the last calendar day of the reporting quarter for quarterly reports. The BOARD may assess a penalty against Medco in the amount of \$_____ for each report series which is not made available within the applicable time periods, subject to a maximum penalty of \$_____ per Contract Year.
- 5.1.5. At least 98% of all Maintenance Identification Cards issued by Medco each Contract Year will be mailed within an average of four (4) business days following Medco's receipt and update of a processable eligibility tape or transmission identifying the applicable Eligible Person(s). The BOARD may assess a penalty against Medco in the amount of \$_____ for each Contract Year that this standard is not met measured on a Contract Year basis. "Maintenance Identification Cards" means new Identification Cards issued to individuals who first become Eligible Persons after the Effective Date (exclusive of new Groups or Group re-enrollments) and replacement Identification Cards for Eligible Persons who have lost or had their Identification Cards stolen.
- 5.1.6. Processable maintenance eligibility transactions received by Medco via host to host, tape or floppy disc before 12:00 p.m. E.T. on any business day will be processed by Medco within an average of two (2) business days of receipt each Contract Year. The BOARD may assess a penalty against Medco in the amount of \$_____ for each processable host to host, tape or floppy disc not processed by Medco within this time period, subject to a maximum penalty of \$_____ per Contract Year.
- 5.1.7. Medco will respond to at least 95% of written inquiries received each Contract Year from an Eligible Person which requires a response (excluding appeals under Section 14.8) within an average of five (5) business days following receipt. The BOARD may assess a penalty against Medco in the amount of \$_____ for each Contract Year that this standard is not met measured on a Contract Year basis.
- 5.1.8. Medco will make available a toll-free member service telephone line for use by Eligible Persons. The target Average Speed of Answer ("ASA") of the member service telephone line each Contract Year will be thirty (30) seconds or less from the time the Eligible Person selects either the IVRU (Interactive Voice Response Unit) option or Member Service Representative option. This ASA standard excludes calls to the toll-free telephone line separately established for Specialty Drugs. The BOARD may assess a penalty against Medco for failure to meet this standard in the amount of \$_____ for each Contract Year that this standard is not met measured on a Contract Year basis.
- 5.1.9. The Telephone Abandonment Rate of the member service telephone line will be 5% or less of all incoming calls received during each Contract Year. This standard excludes calls to the toll-free telephone line separately established for Specialty Drugs. The BOARD may assess a penalty against Medco in the amount of \$_____ for each Contract Year that this standard is not met measured on a Contract Year basis. "Telephone

Abandonment Rate" means (i) the number of incoming telephone calls received by the customer service telephone line during a Contract Year which are abandoned by the caller after a selection is made either to the IVRU (Interactive Voice Response Unit) system or a Member Services Representative, divided by (ii) the total number of incoming telephone calls received by the customer service telephone line during such Contract Year.

- 5.1.10. Medco will respond (mail a check or reject notice) to at least 97% of direct reimbursement paper claims received each Contract Year from Eligible Persons within an average of five (5) business days following receipt, and all claims will be responded to within ten (10) business days (response means either a check or reject notice has been mailed). the BOARD may assess a penalty against Medco in the amount of \$10,000 for each Contract Year that this rate is not met measured on a Contract Year basis. This Section 5.1.10 is subject to a maximum penalty of \$10,000 per Contract Year.
- 5.1.11. The Claims Adjudication Accuracy Rate for each Contract Year will be 98.5% or greater. The BOARD may assess a penalty against Medco in the amount of \$10,000 for each Contract Year that this standard is not met measured on a Contract Year basis. "Claims Adjudication Accuracy Rate" means (i) the number of retail claims, mail order claims and directly submitted paper claims, adjudicated by Medco in a Contract Year that do not contain a material adjudication error, divided by (ii) the number of all such claims adjudicated by Medco in such Contract Year.
- 5.1.12. The Member Satisfaction Rate for each Contract Year will be 90% or greater. A penalty of \$10,000 per Contract Year may be assessed against Medco for failure to meet this standard. "Member Satisfaction Rate" means (i) the number of Eligible Persons responding to Medco's annual standard Patient Satisfaction Survey as being satisfied with the overall performance under the Integrated Program divided by (ii) the number of Eligible Persons responding to such annual Patient Satisfaction Survey; the BOARD must provide timely approvals and responses, and a minimum of 20% of surveys must be returned for the performance standard in this Section 5.1.12 to be applicable.
- 5.1.13. The BOARD may assess a penalty in the amount of \$10,000 per Contract Year if, after the first Contract Year and each successive Contract Year, those the BOARD employees who are members of the BOARD benefits staff do not rate the Medco account team's performance for such Contract Year an average of 3 or better on a scale of 1 to 5 (5 being the best) based on a range of performance criteria agreed to between the BOARD and Medco at the beginning of such Contract Year. Additional BOARD staff members may be included in the survey at the request of Medco.

- 5.2. Notwithstanding anything to the contrary, Medco's maximum liability under this Section 5 for any Contract Year will not exceed \$10,000 during such Contract Year.
- 5.3. The BOARD will give Medco written notice pursuant to Section 14.4 of the Agreement of any facts giving rise to the BOARD's right to assess a penalty against Medco pursuant to Section 5.1 above, within ten (10) business days after the BOARD becomes aware of such fact, and within thirty (30) days thereafter, of the BOARD's election to assess such penalty against Medco. Any penalties assessed against Medco pursuant to this Agreement, will be credited against future billings to the BOARD under the BOARD Program in accordance with Medco's standard procedures.

6. FORMULARY

The BOARD will be a participating plan sponsor in Medco's Preferred Prescriptions® Formulary as set forth below for the term of this Agreement.

- 6.1. Preferred Prescriptions Formulary - The Preferred Prescriptions Formulary is a prescription drug formulary administered by Medco which lists FDA approved drugs that have been evaluated for inclusion on the Preferred Prescriptions Formulary. The drugs included on the Preferred Prescriptions Formulary will be modified by Medco from time to time as a result of factors including, but not limited to, medical appropriateness, manufacturer rebate arrangements, and patent expirations. Medco will implement Medco's formulary management programs, which may include cost containment initiatives, therapeutic interchange programs, communications with Eligible Persons, Participating Pharmacies and/or physicians (including communications regarding generic substitution programs), and financial incentives to Participating Pharmacies for their participation. Compliance with the Preferred Prescriptions Formulary and Medco's formulary management program will result in Formulary Rebates as set forth below. Medco reserves the right to modify or replace the Preferred Prescriptions Formulary (including any modification or replacement, the "Formulary") and formulary compliance methods and cost containment initiatives consistent with good pharmacy practice. The BOARD agrees that Medco will be the exclusive formulary administrator for the BOARD's prescription drug benefit programs during the term of the Agreement. The BOARD is authorized to use the Formulary only for its own Eligible Persons and only as long as the Program is in effect and administered by Medco.
- 6.2. Rebates - Medco and its subsidiaries receive formulary rebates from certain drug manufacturers as a result of the inclusion of those manufacturers' branded products on the Formulary ("Formulary Rebates"). Medco also receives additional rebates and/or fees from certain manufacturers for such products, which may take into account various factors, including the utilization of certain drugs within their respective therapeutic categories for Medco's book of business in aggregate as a result of various commitments, services, and programs including, but not limited to, formularies, but excluding payments or fees from certain manufacturers that offset drug-specific dispensing, shipping, and handling and other operational costs associated with Specialty Drugs dispensed by Medco ("Additional Rebates and Fees"). Formulary Rebates and Additional Rebates and Fees are jointly referred to as "Total Rebates." Medco will provide the BOARD with the greater of (i) 100% of the Total Rebates received by Medco based on the dispensing of each manufacturer's formulary drugs under the BOARD's Program, less a Formulary management fee equal to 1% of the Total Rebates received by Medco under the Program or (ii) the Guaranteed Rebates as defined below. This management fee will be retained by Medco under the Program. Total Rebates will be credited against future billings to the BOARD under the Program one hundred eighty (180) days after the end of each calendar quarter. Rebates due the BOARD under this Agreement that are received by Medco within eighteen (18) months after termination or expiration of this Agreement will be paid to the BOARD. Formulary Rebates received thereafter will be retained by Medco.
- 6.3. Guaranteed Rebates - After each Contract Year during the Initial Term that the BOARD has one or more Groups which participates in a non-incentive, open Formulary, Medco will calculate the BOARD's Total Rebates during such Contract Year for all such Groups. Provided the BOARD complies fully with the Formulary and with the Formulary management programs implemented by Medco, if the BOARD's percentage share of Total Rebates for any Contract Year during the Initial Term for those groups participating in a non-incentive open Formulary are less than the sum of (i) \$10.35 times the total number of Brand Name Formulary prescriptions billed and paid for under the BOARD's Retail Pharmacy Program during such Contract Year for such Groups, plus (ii) \$26.00 times the total number of Brand Name Formulary prescriptions billed and paid for under the BOARD's Mail Order Pharmacy Program during the same Contract Year (collectively the "Guaranteed Rebates"), Medco will credit such difference against future billings to the BOARD under the Program one hundred eighty (180) days after the end of each Contract Year.
- 6.4. If a government action, change in law or regulation, change in the interpretation of law or regulation or action by any drug manufacturer or by the BOARD has a material adverse effect on the Program Pricing Terms, Medco may modify the Program Pricing Terms.
- 6.5. Any lines of the BOARD's business, or any Group of Eligible Persons, for which the BOARD funds less than 50% of the costs of Covered Drugs under the Plan Design will not be entitled to

Formulary Rebates and Additional Rebates and Fees. Calculations and guarantees under Sections 6.2 and 6.3 will not include prescriptions dispensed for any such lines of business or Groups.

7. BILLING/PAYMENT

- 7.1. Medco will provide the BOARD with a bi-weekly consolidated invoice for services provided by Medco under the Program, in accordance with the Program Pricing set forth in Schedule A. All invoices will be paid in full by the BOARD within two (2) business days of receipt by wire transfer, electronic debit, or other method approved by Medco in writing.
- 7.2. The BOARD will pay Medco for administrative products and services provided by Medco under the Program in accordance with the Administrative Fee provisions set forth in Schedule A. Medco will provide the BOARD with an Administrative Fee invoice in accordance with Medco's four (4) week Administrative Fee cycle. The BOARD will pay Administrative Fee invoices in full within fifteen (15) days of the invoice date.
- 7.3. Subject to whether payments due to Participating Pharmacies for Covered Drugs under this Agreement become subject to prompt payment related legislation or regulation, the BOARD may be required to pay a deposit in an amount to be reasonably determined by Medco, which amount may be periodically modified by Medco based on the BOARD's actual claims experience and enrollment. This deposit may be used by Medco to make payments due in accordance with prompt payment legislation or regulation prior to Medco's billing and receipt of the BOARD's payment due under Section 7.1, and does not, in any way, limit other remedies available to Medco. The deposit, to the extent not utilized to offset any payment default by the BOARD under this Agreement, will be returned, without interest, to the BOARD within the greater of one hundred eighty (180) days following termination of this Agreement or following any agreed upon date for extended services.
- 7.4. Failure by the BOARD to make any payments in accordance with the terms of this Agreement will constitute a payment default. Notwithstanding Section 10.2 of this Agreement, if the BOARD fails to cure any such payment default within two (2) days, in addition to other available remedies, Medco may cease performing any or all of its obligations under, or may terminate this Agreement upon notice to the BOARD. After the two (2) day grace period, there will be a late payment fee of 1% per month on the balance due, accruing as of the due date. The BOARD will reimburse Medco for all collection costs incurred by Medco as a result of any payment default by the BOARD under this Agreement.

8. RECORDS

- 8.1. Medco will maintain all claims records relating to services performed under this Agreement as required by applicable law. Such claims records will be in their original form, on microfilm, microfiche or other form determined by Medco. The BOARD claims records may be audited by the BOARD or its representative approved by Medco, subject to execution of a confidentiality agreement, for a maximum period of twenty-four (24) months prior to the agreed upon audit date, subject to applicable confidentiality provisions and legal requirements. Any audit by the BOARD may be conducted once annually upon adequate prior written notice, and during regular business hours. Subject to Section 9.3, Medco may retain copies of such claims records for its own use.
- 8.2. Medco's agreements with pharmaceutical manufacturers are subject to confidentiality agreements. Any audit of Medco's agreements with pharmaceutical manufacturers will be conducted by (a) a Big 4 public accounting firm approved by Medco whose audit department is a separate stand alone function of its business, or (b) a national CPA firm approved by Medco whose audit department is a separate stand alone function of its business. The organization that will be performing the audit must carry insurance for professional malpractice of at least \$2,000,000. The audit will include only those portions of such pharmaceutical manufacturer agreements as necessary to determine Medco's compliance with Section 6 above in respect to Formulary Rebates. The audit will be

conducted once annually, during normal business hours, at Medco's offices as scheduled by agreement of the parties, but not sooner than ninety (90) days after execution of Medco's confidentiality agreement.

- 8.3. Any auditor performing an audit under Section 8.1 or 8.2 above will be required to warrant and represent that it is not providing services to any person, company, or other entity (such as plan sponsors and law firms) in connection with any lawsuit, investigation, or other proceeding that is currently pending or contemplated against Medco. Such services include, but are not limited to (a) examining pharmacy claims or any other data, documents, information or materials or (b) providing advice, analysis, assessments, and/or opinions as a disclosed or undisclosed expert or consultant (collectively "Litigation Services"), in connection with any lawsuit, investigation, or other proceeding pending or contemplated against Medco. The auditor must agree that, for a period of one (1) year after completion of the audit, it will not provide Litigation Services in any lawsuit, investigation, or other proceeding brought against Medco, except for Litigation Services to the BOARD in any proceeding against Medco.
- 8.4. Upon request, the BOARD will furnish its most recent audited financial statement to Medco.

9. CONFIDENTIAL INFORMATION

- 9.1. Notwithstanding the provisions of this Section 9.1, such provisions are subject to the legal requirements under the Connecticut Freedom of Information Act and may be subject to other state or federal laws. The Confidential Information of a party (the "disclosing party") which is disclosed to the other party (the "receiving party") will be held by the receiving party in strictest confidence at all times and will not be used by the receiving party (or its affiliates, employees, officers, directors or limited liability company managers ("Representatives")) for any purpose not previously authorized by the disclosing party, except as necessary for Medco to perform the services under this Agreement. The Confidential Information of the disclosing party will not be disclosed or divulged by the receiving party to anyone, except with the prior written permission of the disclosing party and on the condition that the party to whom the Confidential Information is disclosed agrees in writing in advance to be bound by these terms and conditions. The receiving party may disclose the Confidential Information to those of its Representatives who need to review the Confidential Information for the purposes authorized by the disclosing party but only after the receiving party has informed them of the confidential nature of the Confidential Information and directs them to treat the Confidential Information in accordance with the terms of this Agreement. The disclosing party retains all right, title and interest in and to its Confidential Information.

The term "Confidential Information" includes, but is not limited to, any information of either the receiving or disclosing party (whether oral, written, visual or fixed in any tangible medium of expression), relating to either party's services, operations, systems, programs, inventions, techniques, suppliers, customers and prospective customers, contractors, cost and pricing data, trade secrets, know-how, processes, plans, reports, designs and any other information of or relating to either party's business, including its therapeutic, disease management, and health education programs, but does not include information which (a) was known to the receiving party before it was disclosed to the receiving party by the disclosing party, (b) was or becomes available to the receiving party from a source other than the disclosing party, provided such fact is evidenced in writing and the source is not bound by a confidentiality obligation to the disclosing party, or (c) is developed by the receiving party independently of the disclosing party's Confidential Information, provided that such fact can be documented. Each party will also keep the terms of this Agreement confidential as Confidential Information, except as required by law or regulation.

If the receiving party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, any informal or formal investigation by any government or governmental agency or authority, law or regulation, or

otherwise) to disclose any of the Confidential Information, the receiving party will notify the disclosing party promptly in writing so that the disclosing party may seek a protective order or other appropriate remedy or, in its sole discretion, waive compliance with the terms of this Agreement. The receiving party agrees not to oppose any action by the disclosing party to obtain a protective order or other appropriate remedy. If no such protective order or other remedy is obtained, or the disclosing party waives compliance with the terms of this Agreement, the receiving party will furnish only that portion of the Confidential Information which it is advised by counsel is legally required and will exercise its reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.

- 9.2. The BOARD and Medco may not utilize the service marks, trademarks, or tradenames of any other party to this Agreement, or any service marks, trademarks, or tradenames so similar as likely to cause confusion, without express written approval of such other party. The programs implemented by Medco will remain the sole property of Medco and will only be used by the BOARD in connection with the Program and so long as Medco administers the Program.
- 9.3. Medco and the BOARD will comply with all applicable laws and regulations regarding patient confidentiality as provided in the Business Associate Agreement between the parties. Medco will not furnish any of the BOARD identifiable data or information to any third party without the written consent of the BOARD, except as reasonably necessary to implement and operate the Program and fulfill its obligations pursuant to this Agreement or as required by applicable law. The restrictions set forth in this Section 9 will not apply to claims data or information which is not identifiable on a BOARD basis.

10. TERM OF AGREEMENT

- 10.1. This Agreement shall remain in full force and effect for the entire Initial Term of the Agreement period stated unless cancelled either by Medco or by the BOARD. If either party elects to cancel this Agreement, it must notify the other party in writing at least thirty (30) days in advance. This Agreement may be amended by mutual agreement at any time. In the event this Agreement is terminated, the BOARD agrees to pay Medco for any work that has already been performed; but not billed. Medco agrees to refund to the BOARD any fees that have already been paid for work not yet performed. The BOARD reserves the right to cancel this Agreement without prior written notice when the funding for this Agreement is no longer available.
- 10.2. In the event of a material breach of this Agreement, the party alleging such breach will give written notice thereof to the other parties. If such breach is not cured within sixty (60) days of receipt of such notice, the non-breaching party may terminate this Agreement upon written notice to the other party.

11. FORCE MAJEURE

Neither Medco nor the BOARD will be deemed to have breached this Agreement or be held liable for any failure or delay in the performance of all or any portion of its obligations under this Agreement if prevented from doing so by a cause or causes beyond its control. Without limiting the generality of the foregoing, such causes include acts of God or the public enemy, fires, floods, storms, earthquakes, riots, strikes, boycotts, lock-outs, acts of terrorism, acts of war, war-operations, restraints of government, power or communications line failure or other circumstances beyond such party's control, or by reason of the judgment, ruling or order of any court or agency of competent jurisdiction, or change of law or regulation (or change in the interpretation thereof) subsequent to the execution of this Agreement.

12. INDEMNIFICATION/LIMITATION OF LIABILITY

- 12.1. Medco will indemnify, defend and hold harmless the BOARD, and its successors and assigns and their respective officers, directors and employees (each an "Indemnified Party") from and against all (a) actions, suits, claims, demands, investigations and legal or administrative proceedings

pending or threatened, whether mature, unmatured, at law or in equity, in any forum (collectively "claims") arising from services rendered by Medco directly in connection with this Agreement out of negligent acts of commission or omission (collectively the "acts") by Medco or any of its directors, officers, employees, agents, or any other person or entity that Medco engages as a subcontractor to provide services under this Agreement and (b) damages, losses, costs and expenses, investigative costs and attorneys' fees all to the extent such expenses, costs and fees are reasonable and arise directly out of such claims to the extent the claim arises out of Medco's negligence or willful misconduct, or breach of this Agreement, provided that (a) the Indemnified Party has given reasonable notice to Medco of the claim, and (b) no Indemnified Party has, by act or failure to act, compromised Medco's position with respect to the resolution or defense of the claim.

- 12.2. Medco will maintain, during the term of this Agreement, liability coverage with limits not less than \$1,000,000 per occurrence and in the aggregate per policy year, with excess liability coverage in an amount not less than \$5,000,000 per policy year. Evidence thereof will be furnished to the BOARD upon request.
- 12.3. Except as provided in Section 12.1 above, Medco or any affiliated company, or their directors, officers or employees, will not be responsible for any claim, loss or damage sustained as a result of the provision of or failure to provide pharmaceutical goods or services or any other action or failure to act by any retail pharmacy, pharmaceutical manufacturer or other pharmaceutical providers pursuant to this Agreement.
- 12.4. Medco or the BOARD will not be liable to each other for incidental or consequential damages.

13. EXCLUSIVITY

Medco will be the exclusive provider and administrator of PBM Services to the BOARD and its subsidiaries while this Agreement is in effect. Nothing contained herein, however, will prohibit Medco or any affiliated entity from providing or administering PBM Services and related programs and services to any other entity while this Agreement is in effect.

14. GENERAL

- 14.1. Independent Contractor - The relationship between Medco and the BOARD will solely be that of independent contractors engaged in the operation of their own respective businesses.
- 14.2. Assignment - This Agreement may not be assigned by any party without the written approval of the other parties provided, however, that services to be performed by Medco hereunder may be performed by its subsidiaries, affiliates, divisions and/or designees. The duties and obligations of the parties will be binding upon, and inure to the benefit of, successors, assigns, or merged or consolidated entities of the parties.
- 14.3. No Third-Party Beneficiary - This Agreement has been entered into solely for the benefit of the BOARD and Medco, and is not intended to create any legal, equitable or beneficial interest in any third party or to vest in any third party any interest as to enforcement or performance.
- 14.4. Notices - All notices required under this Agreement will be in writing and sent by certified mail, return receipt requested, hand delivery or overnight delivery by a nationally recognized service addressed as follows:

If to the BOARD: Connecticut State Teachers' Retirement Board
21 Grand Street
Hartford, Connecticut 06106
Attention: Darlene Perez, Administrator

If to Medco: Medco Health Solutions, Inc.
100 Parsons Pond Drive
Franklin Lakes, NJ 07417
Attention: Anthony Palmisano Jr.
Vice President and Counsel
Customer Contracting

- 14.5. Amendments - This Agreement may be amended only in writing when signed by a duly authorized representative of each party.
- 14.6. Financial Responsibility - If Medco has reasonable grounds to believe that the BOARD may not meet its payment obligations under this Agreement as they become due, Medco may request information and/or reasonable assurances (including a deposit) from the BOARD as to its financial responsibility. If the information or assurances are not furnished to Medco within five (5) days, or are not satisfactory in Medco's reasonable judgment, Medco may immediately terminate this Agreement.
- 14.7. Plan Design - The Program Pricing Terms set forth in this Agreement are based upon the Plan Designs, Minimum Enrollment and Program specifications agreed to between the parties as reflected in this Agreement and as otherwise hereafter agreed to by the parties in writing. The Program Pricing Terms are also based upon the BOARD funding 50% or greater of the costs of Covered Drugs for its Eligible Persons. Any modification of the Plan Design or Program specifications, failure to maintain Minimum Enrollment, or inclusion of Eligible Persons or Groups with Covered Drugs funded less than 50% by the BOARD, may result in a retroactive modification by Medco of the Program Pricing Terms. The BOARD will provide Eligible Persons with at least thirty (30) days' prior notice of approved Plan Design changes.
- 14.8. Interpretation of Plan - The BOARD will not name or represent that Medco is, and Medco will not be, a Plan Administrator or a fiduciary of any prescription drug benefit plan (the "Plan"), as those terms are used in the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §§ 1001 et seq., and the regulations promulgated under ERISA. the BOARD will have complete discretionary, binding, and final authority to construe the terms of the Plan, to interpret ambiguous Plan language, to make factual determinations regarding the payment of claims or provisions of benefits, to review denied claims, to handle all appeals of claims eligibility and benefit application determinations and to resolve complaints by Eligible Persons.
- 14.9. Tax - Any applicable sales, use, or other similarly assessed and administered tax imposed on items dispensed, or services provided hereunder, will be the sole responsibility of the BOARD. If Medco is legally obligated to collect and remit sales, use, or other similarly assessed and administered tax in a particular jurisdiction, the tax will be reflected on the applicable invoice or subsequently invoiced at such time as Medco becomes aware of such obligation.
- 14.10. Governing Law - Medco agrees to be bound by the law of the State of Connecticut and the federal Government where applicable, and agrees that this Agreement shall be governed by, construed, and enforced in accordance with the laws and court decisions of the State of Connecticut without giving effect to its principles of conflicts of law. However, all matters relating to the Mail Order Pharmacy Program operations of Medco will be governed by the laws of the state in which Medco's mail order pharmacy is located.
- 14.11. Enforceability - The invalidity or unenforceability of any of the terms or provisions hereof will not affect the validity or enforceability of any other term or provision.
- 14.12. Section Headings - Section headings are inserted for convenience only and will not be used in any way to construe the terms of this Agreement.
- 14.13. Waiver - The waiver of any breach or violation of any term or provision hereof will not constitute a waiver of any subsequent breach or violation of the same or any other term or provision. No

waiver or relinquishment by a party of any right or remedy under this Agreement will occur unless the waiver or relinquishment is in a written document signed by an officer of the party.

- 14.14. Approvals - Whenever approval of any party is required under this Agreement, such approval will not be unreasonably withheld.
- 14.15. Organization - Each party is duly organized, validly existing and in good standing, and has the power to own its property and to carry on its business as now being conducted by it.
- 14.16. Authorization - The execution and delivery of this Agreement and the consummation of the transactions contemplated herein on its part, has been duly authorized by all necessary action by each party.
- 14.17. No Conflict of Interest or Other Restrictions - No party has a conflict of interest which would impact its ability to perform fairly its obligations under this Agreement, and no party is subject to any restrictions, contractual or otherwise, which prevent or would prevent it from entering into this Agreement or carrying out its obligations hereunder.
- 14.18. No Violation - Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will be a violation or default of any term or provision of the party's governance documents (e.g., its certificate of incorporation or bylaws or operating agreement) or of any material contract, commitment, indenture, or other agreement or restriction to which it is a party or by which it is bound.
- 14.19. Binding Effect - This Agreement has been duly executed and delivered by each party, and is a valid and binding obligation of each party, enforceable against such party in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity.
- 14.20. Original Agreement/Counterparts - The parties will execute two identical originals of this Agreement. Each party will retain one of the originals. This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all counterparts taken together will constitute one instrument.
- 14.21. Public Announcement - Except as required by law or regulation, neither party will make any public announcement nor issue any press release relating to this Agreement without the written consent of the other party. This provision does not restrict either party from submitting necessary or appropriate filings with the SEC.
- 14.22. Medco agrees that the sole and exclusive means for the presentation of any claim against the BOARD arising from this Agreement shall be in accordance with Chapter 53 of the Connecticut General Statutes (Claims Against the State) and Medco further agrees not to initiate legal proceedings in any State or Federal Court in addition to, or in lieu of, said Chapter 53 proceedings. Medco shall provide written notice to the BOARD of any litigation that relates to the services directly or indirectly financed under this Agreement or that has the potential to impair the ability of the contractor to fulfill the terms and conditions of this Agreement, including but not limited to financial, legal or any other situation which may prevent Medco from meeting its obligations under this Agreement.
- 14.23. Construction - The BOARD and Medco have participated jointly in the negotiation of this Agreement and each has had the advice of legal counsel to review, comment upon and draft this Agreement. Accordingly, it is agreed that no rule of construction shall apply against any party or in favor of any party, and any uncertainty or ambiguity shall not be interpreted against any one party and in favor of the other.

- 14.24. Entire Agreement - This Agreement, together with the Schedules hereto, embodies the entire understanding of the parties in relation to the subject matter hereof, supersedes any prior agreement among the parties in relation to the subject matter hereof, and no other agreement, understanding, or representation, verbal or otherwise, relative to the subject matter hereof exists among the parties at the time of execution of this Agreement.
- 14.25. Compliance with Laws – During the term of this Agreement, each Party shall take all actions necessary and appropriate to assure that it complies with all applicable state, federal, and local laws, including, without limitation, those regarding disclosure of the terms of this rebate administration arrangement to the BOARD's Eligible Groups.
- 14.26. Sovereign Immunity- The parties acknowledge and agree that nothing in this Agreement shall be construed as a waiver by the BOARD of any rights or defenses of sovereign immunity, which it may have had, now has or will have with respect to all matters arising out of this Agreement. To the extent that this provision conflicts with any other provision, this provision shall govern.
- 14.27. Connecticut Law-Subject to Section 14.10 above, Medco agrees to be bound by the law of the State of Connecticut and the federal government where applicable.
- 14.28. Survival - The provisions of Sections 7.4, 9, 12, and the last sentence of **Error! Reference source not found.** will survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date indicated below.

**MEDCO HEALTH SOLUTIONS,
INC.**

BY: _____


(signature)

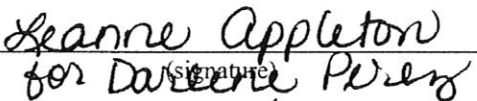
NAME: Anthony Palmisano Jr.

TITLE: VP and Counsel, Customer Contracting

DATE: 12/7/2006

**CONNECTICUT STATE
TEACHERS' RETIREMENT
BOARD**

BY: _____


(signature)

NAME: Leanne Appleton
(type or print name)

TITLE: Assistant Administrator

DATE: 12/13/2006

65033.1 (12/07/06) nmb
(Original 50180.6 - 2/10/06)

SCHEDULE A

PROGRAM PRICING TERMS

The BOARD will pay Medco for services provided under the Program as follows:

1. RETAIL NETWORK COMPONENT DISCOUNT GUARANTEE

- 1.1. The BOARD will pay Medco for Covered Drugs dispensed and submitted by Participating Pharmacies under the Retail Pharmacy Program in an amount equal to the lower of (i) the maximum allowable cost ("MAC"), where applicable, plus the Dispensing Fee set forth below plus applicable taxes, or (ii) discounted AWP plus the Dispensing Fee set forth below plus applicable taxes. The guaranteed overall performance will be AWP minus [redacted] for Brand Name Drugs, AWP minus [redacted] for Generic Drugs, and a average Dispensing Fee of [redacted] for all claims for each Contract Year during the Initial Term.
- 1.2. Within one hundred eighty (180) days after the end of each Contract Year during the Initial Term, Medco will calculate and report the actual average Ingredient Cost discounts (the "Actual Ingredient Cost Discounts") and actual average Dispensing Fee ("Actual Dispensing Fee") as billed to the BOARD for all Brand Name Drugs and Generic Drugs dispensed and submitted by Participating Pharmacies in the Broad National Network, in the aggregate, for such Contract Year. If the aggregated Actual Ingredient Cost Discount for Brand Name Drugs or Generic Drugs for any such Contract Year is less than the corresponding aggregated Guaranteed Ingredient Cost Discount, or if the aggregated Actual Dispensing Fee for any such Contract Year is greater than the Guaranteed Dispensing Fee, Medco will credit the full dollar amount of such shortfall against future billings to the BOARD under the Program. However, any shortfall on the Actual Ingredient Cost Discount for Brand Name Drugs or Generic Drugs, or overage on the Actual Dispensing Fee, will be offset by any surplus savings available on any of these three components of this guarantee.
- 1.3. Copayment/Coinsurance - The Copayment/Coinsurance amount for each prescription or refill dispensed by a Participating Pharmacy under the Retail Pharmacy Program will be as designated for each Group in the applicable Plan Design(s).
- 1.4. Direct Claims - The reimbursement terms applicable to direct reimbursement claims submitted by Eligible Persons under the Retail Pharmacy Program will be the same as the terms set forth in this Section 1, unless otherwise provided in writing by the BOARD to Medco.
- 1.5. Minimum Charge at Retail - The BOARD agrees there may be a minimum charge at retail for a Covered Drug of the lower of (a) the U&C or (b) the applicable Copayment. For prescriptions or refills where this minimum charge applies, there will be no charge/credit to the BOARD under this Section 1.

2. MAIL ORDER PHARMACY PROGRAM CLAIMS

The BOARD will pay Medco for Covered Drugs dispensed by a Medco mail order pharmacy under the Mail Order Pharmacy Program in an amount equal to an Ingredient Cost plus Dispensing Fee for each Covered Drug dispensed, less the applicable Copayment/Coinsurance amount, as such terms are defined below:

- 2.1. Ingredient Cost - The Ingredient Cost is AWP minus [redacted] for Brand Name Drugs and the lower of MAC or AWP minus [redacted] for Generic Drugs. The guaranteed pricing for Generic Drugs will be AWP minus [redacted] for each Contract Year during the Initial Term. Medco will prepare a true up one hundred eighty (180) days following the end of such Contract Year. Any shortfall in the aggregate guaranteed savings will be matched dollar for dollar by Medco. the BOARD will retain all guaranteed savings.

- 2.2. Dispensing Fee - The Dispensing Fee per prescription or authorized refill is _____ Dispensing Fees are inclusive of postage. If postage rates (i.e., U.S. mail and/or applicable commercial courier services) increase during the term of this Agreement, the pricing will be increased to reflect such increase(s).
- 2.3. Copayment/Coinsurance - The Copayment/Coinsurance amount for each prescription or refill dispensed by a Medco mail order pharmacy under the Mail Order Pharmacy Program will be as designated for each Group in the applicable Plan Design(s). The Copayment/Coinsurance amount will be the minimum charge for the prescription or refill dispensed by Medco under the Program. Eligible Persons must pay the applicable Copayment or Coinsurance amount to Medco for each prescription or authorized refill under the Mail Order Pharmacy Program. Medco may suspend Mail Order Pharmacy Program services to an Eligible Person who is in default of any Copayment or Coinsurance amount due Medco. The BOARD will be responsible for any unpaid Eligible Person Copayment or Coinsurance amounts, in accordance with Medco's standard credit policy, if payment has not been received from the Eligible Person within one hundred twenty (120) days of dispensing. the BOARD will be billed following the one hundred twenty (120) day collection period, with payment due in accordance with payment terms set forth in Section 7.2 of this Agreement.

3. SPECIALTY DRUG CLAIMS

Notwithstanding anything to the contrary in Section 2 above and elsewhere in the Agreement, the BOARD will pay Medco for Covered Drugs designated as Specialty Drugs under the Mail Order Pharmacy Program on a separate ingredient cost basis plus applicable Dispensing Fee, subject to the Copayment/Coinsurance in the applicable Plan Design. Medco will be the exclusive administrator of Specialty Drugs to the BOARD while this Agreement is in effect. Specialty Drugs may be provided by Medco or other third-party specialty pharmacy that has a written arrangement with Medco. Medco may add or delete products, or modify pricing terms during the term of this Agreement. Specialty Drugs are excluded from calculations, guarantees, credits and payments regarding Formulary Rebates under the Mail Order Pharmacy Program and the Retail Pharmacy Program set forth in this Agreement. Medco will provide a current list of Specialty Drugs and associated prices upon the BOARD's written request.

4. ADMINISTRATIVE FEES

- 4.1. The BOARD will pay to Medco a Base Administrative Fee in the amount of _____ per paid claim processed by Medco under the Retail Pharmacy Program or the Mail Order Pharmacy Program for the following Base Administrative Services, as applicable:

- Administration of eligibility submitted via tape or telecommunication in a Medco standard format
- Eligibility maintenance (minimum of weekly updates)
- Dependent Eligibility Certification System (DECS)
- Medco's client support system (e-SD) for on-line access to current eligibility (equipment, installation and line charges are responsibility of the BOARD)
- Administration of the BOARD's Plan Design in Medco format
- In-network claims adjudication via TelePAID® on-line claims adjudication system
- Coordination of Benefits Level I (when flagged on eligibility records)
- Twelve (12) months on-line claims history retention (for use in claims processing)
- Processing associated with Mail Order Pharmacy Program prescriptions
- Announcement letter
- Medco descriptive brochure
- Pre-addressed mail order order form/envelope


- Patient profile questionnaire card
- One Medco Identification Card per Primary Eligible Participant (two per family)
- Information on access to major Participating Pharmacy network chains
- Explanation of Benefits (EOB) for out-of-network claims
- Direct reimbursement claim form (also available via www.medcohealth.com)
- Coordination of benefits (COB) claim form
- Benefit denial letters for instances where Eligible Person/drug are not covered
- TDD-TTY services for hearing impaired to access Customer Service Department
- Integrated Concurrent Drug Utilization Review (DUR) via TelePAID®
- Physician Profiling Program
- Prescription Drug Plan Report Package
- Establish, maintain, credential, and contract an adequate panel of Participating Pharmacies
- Development and distribution of communication materials to Participating Pharmacies regarding the Program
- Toll-free access to Help Desk for eligibility/claims processing assistance
- Toll-free access to Participating Pharmacies for DUR assistance
- Monitor Participating Pharmacy compliance, including submission of U&C, generic dispensing rates, formulary program conformance, DUR intervention conformance, patient utilization, and drug mix and managed through the Coordinated RxSM Program
- Toll-free telephone access to voice response unit for location of Participating Pharmacies in zip code area
- Medco Pharmacy Audit Program *
- Toll-free telephone access to Customer Service for the program for use by Eligible Persons, the BOARD benefits personnel and physicians
- Gatekeeper program
- 24 hour access to a Medco pharmacist via toll-free telephone service

4.2. The BOARD will also pay for Additional Administrative Services requested by the BOARD and provided by Medco under the Program as follows:

- | | |
|--|------------------------|
| • Extra Identification Cards | \$1.00 per card |
| • Direct reimbursement/out-of-network claims adjudication (including check and EOB to Eligible Person) | \$1.00 per claim |
| • Hard copy eligibility submission | Data entry charges |
| • Mailings direct to Eligible Persons or the BOARD location | Actual postage charges |

5. UTILIZATION MANAGEMENT PROGRAM

Medco will provide to the BOARD Utilization Management Programs, which will be outlined in a Utilization Management Program Document (the "UMP Document") to be entered into at a date determined by the parties. The UMP Document will be effective as of the Effective Date of this Agreement and when executed, will be entered into contemporaneously with this Agreement. The UMP Document at such time that it is entered into by both parties, is incorporated by reference herein. The UMP Document may be modified upon the consent of the parties evidenced by a writing in the form of a new UMP Document signed by the parties.

* Medco will retain  of any audit recoveries to offset expenses of this program.

• •

6. **RENEWAL ALLOWANCE**

After ninety (90) days following full implementation of the BOARD's Integrated Program and for the Initial Term of this Agreement, Medco will credit up to _____ per new Eligible Person enrolled under the BOARD'S Program against future billings under the BOARD's Program for documented expenses incurred and submitted by the BOARD to Medco for the preparation and/or implementation of the BOARD's Integrated Program (e.g., consulting fees, RFP preparation, or special communications associated with the Integrated Program roll-out). This credit will not be offset by any expenses incurred by Medco for the implementation of the BOARD's Program.